Paying for Healthcare in America

Challenges, Missed Opportunities, & What We Can Do

WEX Health
Consumer-Directed
Health Plans 2019
Research Report

Contents

Introduction

We put this report together because we know the rising cost of healthcare weighs heavily on Americans and has had a significant impact on their financial health—and we know we can help them.

Thanks to a mounting body of evidence and research underscoring the connection between health and wealth, we approached our research with an understanding that Americans' increasing financial stress is impacting all aspects of their lives, including their physical and mental well-being, their job performance, and the quality of their relationships.

In our deep dive, we learned that forgoing healthcare services to save money has impacted productivity or engagement of a quarter of workers. A quarter of respondents also told us their anxiety about healthcare expenses has grown worse in the past year.

For those of us in the healthcare benefits administration industry, our work to help Americans offset costs and save for healthcare expenses has never been more critical—consumers' overall health and well-being is on the line. Because our daily work focuses on the intersection of financial and physical health, we are uniquely poised to influence and impact consumers' wellness on both counts. It's imperative that we share the right messages in the right way at the right time to help consumers make good decisions.

We believe that we all are better served—and that we all serve better—when we deeply understand not only the individuals and families using our healthcare financial technology platform, but also the wants and needs of all Americans, including the underserved. How do we do that? The best place to start is with a close look at the decisions and frustrations they face daily. That's where the important research shared in this report comes in.

Our job is to help people—whether that be in everyday moments like picking up prescriptions or buying sunscreen, or in memorable events like having a baby or choosing a retirement date—and our mission is to simplify the business of healthcare. In an industry made unnecessarily complex by jargon and dogged by consumers' long-held misconceptions, we are more attuned than ever to this guiding principle: We must keep it simple. Much of this report is about how to do that so Americans can gain the confidence they need to make the best choice about healthcare benefits for themselves and their families.

In this report, we have aimed to tell the stories of our consumers and their families—stories we can help rewrite to bring more positive outcomes. We've also included the ways those of us in the business of healthcare benefits administration are helping—and what we can do even more to change the stories.

Thank you for your interest in these important stories and for using this resource to help influence the unfolding of the next chapter.

Jeff Young
President, Health, WEX Inc.

PART 1

Situation Analysis

Research Highlights

- Escalating healthcare costs are having a devastating effect on Americans' financial health and preparedness.
- Because Americans don't know whom to trust for advice about their healthcare benefits options, they have low confidence that they can truly understand the differences in available plans.
- Consumers struggle to make sense of health insurance industry jargon, which has led to many misconceptions about health spending accounts in particular.
- Many people see only the short-term horizon when thinking about health expenses.

Problem Statement

Healthcare costs in the U.S. are higher than anywhere else in the world—and pressures are mounting along with expenses. In 2018, Americans borrowed $88 billion to pay for their healthcare; a quarter skipped a needed medical treatment because of cost; and nearly half feared that a major health event would bankrupt them.[1]

Since health savings accounts (HSAs) were introduced in 2003, high-deductible health plans (HDHPs) were rolled out in 2004, and the Affordable Care Act was enacted in 2010, Americans have grown increasingly bewildered by the health insurance marketplace's rapidly changing options. In the years that have followed, health insurance—the mechanism Americans have widely used since the Great Depression to protect against these realities and fears—has increasingly stirred feelings of confusion, distrust and disgust among consumers.

However, there is a solution that aligns remarkably well with the healthcare coverage needs of many Americans and is proven to ease their concerns—giving them "skin in the game" and a way to build long-term savings for the substantial healthcare expenses they can expect to face in retirement. That's the consumer-directed healthcare plan (CDHP), which typically consists of two components: an HDHP and a medical savings account—most often an HSA. During our focus groups, we found that financial discipline and feelings of financial security are key markers of CDHP users, while non-users only aspire to these feelings.

Over the past 10 years, consumers have begun to make a definitive shift from traditional health insurance plans to HDHPs. The Centers for Disease Control and Prevention reports that among adults ages 18–64 with employment-based coverage, the percentage enrolled in an HDHP without an HSA increased from 10.6 percent in 2007 to 24.5 percent in 2017, while the percentage enrolled in an HDHP with an HSA increased from 4.2 percent in 2007 to 18.9 percent in 2017. Our research revealed that the discrepancy between increased enrollment in HDHPs and increased enrollment in HSAs can be attributed to consumers' poor financial literacy.

Consumers continue to misunderstand both HDHPs and HSAs, impairing the adoption rate of both accounts. Though we found that three-fourths of HDHP respondents with HSAs are satisfied with their plans (only 4 percent are unsatisfied), more than half (56.6 percent) of consumers are still enrolled in a traditional plan and missing out on the many demonstrated benefits of an HDHP.[2]

To help consumers, we must take an unflinching look at their confusion about these plans, the challenges they face at the intersection of health and financial wellness, and the missed opportunities for benefits administrators to help.

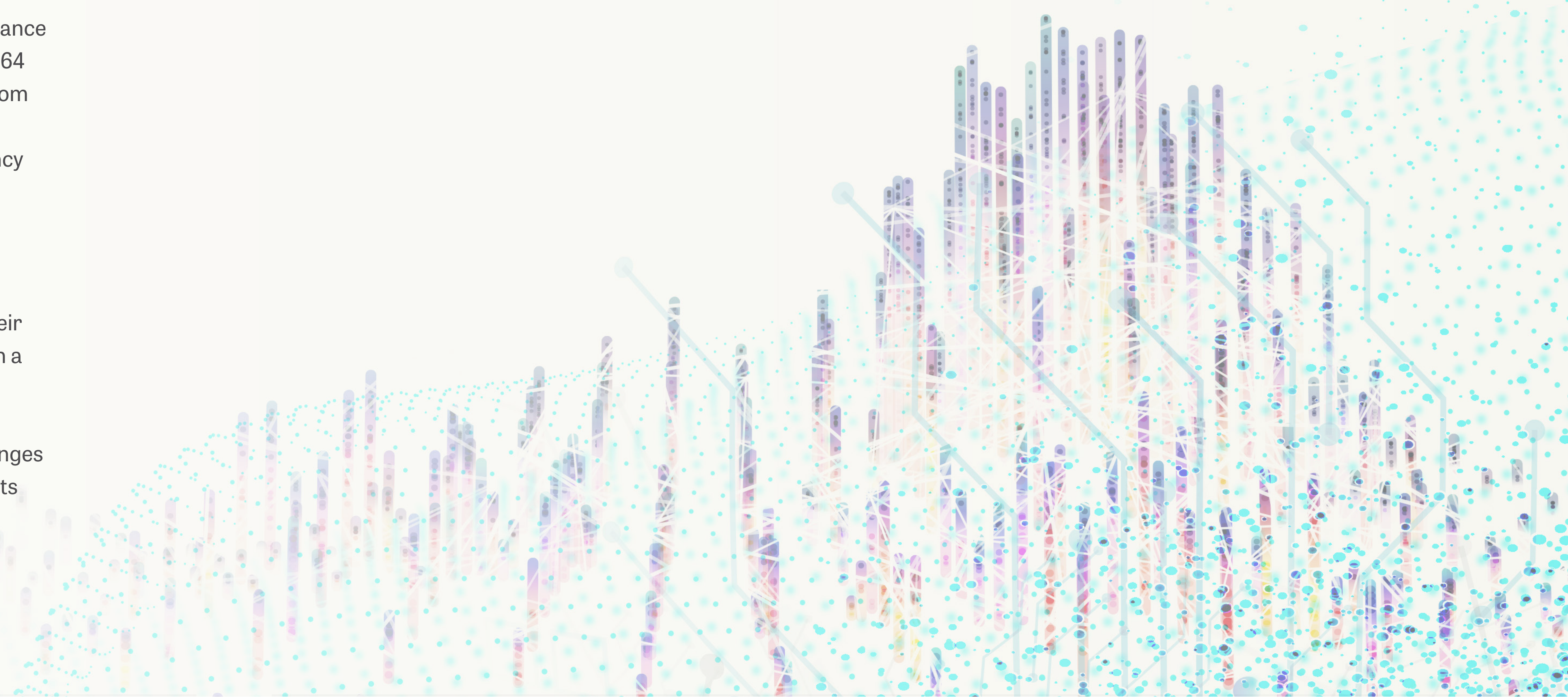
[1] Gallup, "The U.S. Healthcare Cost Crisis," March 26, 2019

About the 2019 Report

WEX's first consumer healthcare report, released in 2018, explored American workers' concerns about rising healthcare costs, using results from a consumer survey we commissioned as a jumping-off point to develop both key insights and calls to action for the benefits industry. In 2019, we've gone much further, analyzing a healthy mix of quantitative and qualitative data from three consumer studies.

- We partnered with Visa to conduct a multiphased study involving online anthropology and user/non-user focus groups to understand the way people connect emotionally to HSAs and flexible spending accounts (FSAs).
- We surveyed and interviewed over 2,000 full-time and part-time workers in the U.S. who have employer health insurance.
- We conducted intensive focus groups with 42 individuals representative of the consumers we serve to better understand their health plan decision-making processes, as well as their preferences and behaviors in regard to technology.

For full methodology details, please turn to the appendix on page 32.



[2] Centers for Disease Control and Prevention, "High-deductible Health Plan Enrollment Among Adults Aged 18–64 with Employment-based Insurance Coverage," August 2018

PART 2

What We Heard from Consumers

Chapter 1

America Calling in Sick

Escalating healthcare costs are having a devastating effect on Americans' financial health and preparedness.

Healthcare spending now accounts for 18 percent of the nation's gross domestic product, having reached $3.5 trillion in 2017—or $10,739 per person.

According to the Kaiser Family Foundation's analysis of National Health Expenditure data, most of the recent health spending growth is in private and public insurance programs.[3] Out-of-pocket costs have also been rising, jumping from a few hundred dollars on average less than a decade ago to an average deductible today of $1,573 among covered workers with individual plans.[4]

As a result of health spending outpacing the growth of the U.S. economy, fear of medical bankruptcy is starting to have a real impact on Americans' psyche.

More than a quarter of workers told us their anxiety about healthcare expenses has grown worse in the past year. Unsurprisingly, we found that out-of-pocket expenses hit low-to-moderate-income households hardest and cause them more anxiety, but even high-income workers report significant financial health struggles.

Nearly twice as many employees are stressed about their finances than are stressed about their jobs, according to one annual industry survey.

Employees also say their financial stress is worse than their stress over health concerns and relationships combined.[5] That means there are now more people who lie awake at night worrying about the cost of a future healthcare expense ruining them ("I have a $1,500 deductible, but only $300 in the bank") than there are those who are worried about a future healthcare event impacting their well-being ("I hope I don't get cancer").

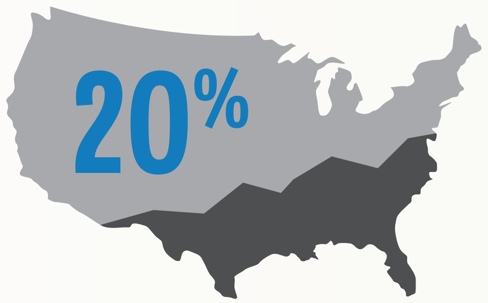
Of concern, a quarter of the workers we surveyed told us they regularly forgo healthcare services due to associated out-of-pocket expenses.

These workers report that doing without healthcare services has impacted their productivity or engagement at work, most commonly leading them to feel distracted or spaced out, or causing them to call in sick, do very little work during the workday or leave work early.

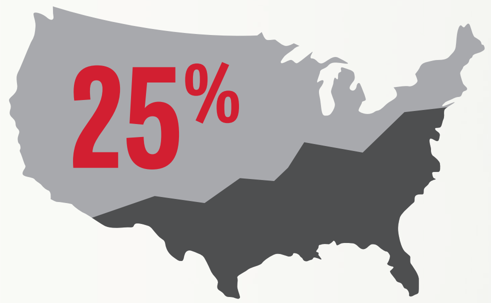
[3]Peterson-Kaiser Health System Tracker, "How has U.S. spending on healthcare changed over time?" Dec. 10, 2018

[4]Henry J Kaiser Family Foundation, 2018 Employer Health Benefits Survey [5]PricewaterhouseCoopers, Employee Financial Wellness Survey, 2018

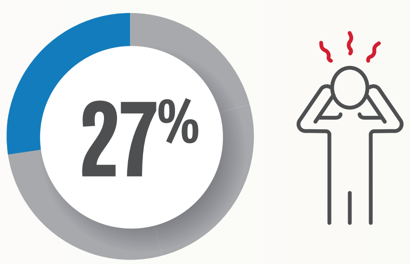
Financial Health, Stress and Productivity



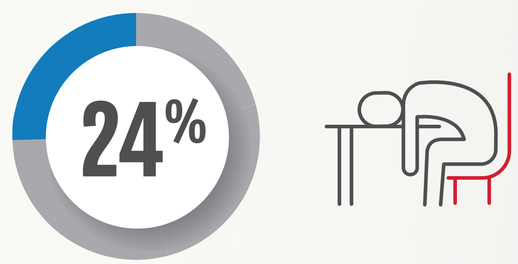
of Americans feel financially secure.



of Americans would last less than four weeks if forced to live only off the money they have readily available.



of workers report that their anxiety over healthcare expenses has grown worse since last year.



of workers say forgoing healthcare services has impacted their productivity or engagement at work.

19%

of respondents are not at all confident that their household is doing what is needed to meet their longer-term goals.

Forgoing healthcare is particularly likely to affect productivity or engagement at work for those **ages 21–34 (31%)** and for those **making $25,000 to $50,000 annually. (28%)**

Worried Sick: Financially Coping & Financially Vulnerable Americans

WEX is proud to be a member of the Financial Health Network (formerly known as CFSI, Center for Financial Services Innovation). We have a shared vision for a financially healthy America and a financial services industry that serves all consumers responsibly, especially low- to moderate-income Americans. To better understand and address the financial health concerns of this underserved cohort, we added questions to our quantitative consumer study to measure the financial health of our respondents. What we found is that a comfortable majority of workers are in a healthy financial situation, but a notable minority—18 percent—showed various indicators of financial distress, scoring "vulnerable" on the CFSI Financial Health Score™ scale.

As a general rule, respondents with higher incomes and those who regularly contribute to their retirement accounts are more likely to spend less than they make, pay all their bills on time, and have manageable debt and excellent credit scores. They are also more likely to feel confident about their insurance and their long-term financial planning. We also found that those who use CDHPs fare slightly better in the Financial Health Network's four defined financial health categories.

On the other hand, workers with low incomes remain particularly vulnerable to healthcare expenses: 44 percent of those making less than $25,000 are very worried about out-of-pocket costs, compared with 17 percent of those making over $100,000. Poorer workers are also significantly more likely to forgo healthcare services due to associated out-of-pocket expenses. And the same group is particularly likely (43 percent) to report that their anxiety has gotten worse over the past year, indicating an urgent need for targeted messaging and tools that support the financial health and empowerment of low- to moderate-income Americans.

Learn more about Financial Health Network at www.finhealthnetwork.org

Now that we've given you the lay of the land, here are some more insights and ways to help CHANGE THE STORY.

Chapter 2

Low Confidence & Trust

Because Americans don't know whom to trust for advice about their healthcare benefits options, they have low confidence that they can truly understand the differences in available plans.

Employees don't feel like they have "friends" in benefits.

As we talked to consumers about their health benefits, a theme quickly emerged: Many question the motives of employers and benefits administrators and feel as though the system is a "game," intentionally designed to be confusing. Forty-nine percent of American say it is either "very challenging" or "somewhat challenging" to know whom to trust when it comes to looking after their financial and physical health.

Consumers don't feel like they are at the center of the healthcare ecosystem.

Everything from the terminology to the plans themselves seems designed for the insurance industry's benefit, not theirs. As one FSA user told us during a focus group, "If it's listed as a 'benefit,' it seems a little selfish [on the part of the employer] if there's no rollover or grace period." And an HSA account holder told us during a phone interview: "A lot of times the people who are supposed to be helping you with these types of decisions ultimately have underlying goals or interests. We have a benefits manager at my place of employment, but I think she's incentivized by the company to move people from a more expensive medical plan to a less expensive medical plan. She's working in the best interest of the company—not in the best interest of what's good for my family."

Americans don't understand their healthcare options, and they are often not asking the important questions or digging in to do the research needed to determine which plan is best for them.

More than three-quarters (79 percent) of the employees we surveyed—of all ages—spend less than an hour evaluating their healthcare options during open enrollment. As a result, too many employees default to the plan they had the year before, without spending time to reflect on what type of plan makes the most sense for them. As one 53-year-old man told us during a phone interview, "A lot of people I work with just sign up for the plan they signed up for last year—it seemed good enough—without a lot of thought of what that really means."

Workers ages 21–34 find understanding the differences among health insurance plan options more challenging than do workers over 55.

Especially for millennials and Gen Z, who may be just graduating and launching careers, the choice for health coverage must be made quickly, often amid a barrage of employer-supplied documents, with little time to research.

By the time consumers get to the ancillary benefits, their intellectual and emotional energy has been expended.

The way these accounts are presented is highly technical in nature and requires effort on the part of the consumer to understand them:

- These are not accounts people engage with often, so there is also a high learning curve (how to access information, how to submit costs, etc.) that requires employees to be patient with the process.
- HR professionals believe that if information were communicated via simple snapshots or more visually, then their employees may stay more engaged.

The best-educated and empowered consumers are those who are already enrolled in an HDHP.

We found that HDHP respondents are somewhat more financially savvy and financially secure than all workers and tend to be somewhat more confident in their understanding of the health benefit account options provided by their employers. HDHP enrollees are also more likely to be very familiar with the way in which health benefits can be leveraged as a retirement tool, and they are significantly more likely to use every available tool to manage their general household finances.

The learning curve for recent CDHP enrollees is steep, especially in the first few years.

In our focus groups, we found that consumer satisfaction with CDHP plans (with an HSA attached) is lower than consumers' satisfaction with traditional plans (with lower deductibles and no HSA)—but only for the first three years. After that period, when the savings really begin to stack up, the sentiment toward HSAs shifts notably in their favor. Here's what some of our focus group participants, all HSA account holders, told us:

- "When it finally 'clicked,' [an HSA] became the obvious choice."
- "Would you go into a store and pay $20 for something you could get for $15?"
- "[My HSA] makes me feel smart, like I just found money on the sidewalk."

Workers communicated that they have insufficient tools to evaluate new healthcare benefits scenarios throughout the plan year.

This makes it difficult for them to know which insurance plans will cost the most and which are best in the long term. As we explore in the next chapter, consumers' poor literacy about the healthcare benefits options available—and the rush they feel to make a decision during open enrollment—have also contributed to misconceptions.

Some consumers are so frustrated by the decision-making process that they've become apathetic toward open enrollment.

The biggest complaints are around confusing terminology, a lack of choice, difficulty in predicting medical costs and an overall lack of adequate support. To get consumers asking questions about their best interests and put them at the center of the healthcare ecosystem, we have to talk to them in a way that engenders trust and supports the building of their self-confidence on these matters.

Voice of the Consumer

"Traditionally, when people think of insurance, they think of PPOs. The idea of a high-deductible health plan is very foreign to them. I explained it to one of my co-workers who's similar to me; she doesn't need a ton of healthcare and is pretty healthy, pretty young. She was like, 'Why don't I do that?' And I was like, 'I don't know. Probably because you just didn't understand it.' "

—34-year-old HSA account holder

Voice of the Consumer

"At any given time, I have a hundred things I need to be worried about: kids, work schedules, obligations. If something [about my healthcare benefits] is not clear to me, I don't have the time to go back and research or clarify what the options are or how something works. I think a lot of people are in the same boat. You're so busy that if something's not crystal clear, you tend to take a shortcut and just go based upon hearsay or what other people are telling you is good without actually doing any research yourself."

—37-year-old survey respondent

What Consumers Need Help With

About half the people we surveyed expressed that they found the following tasks at least somewhat challenging:

48% Determining whom to trust when it comes to looking after their financial and physical health

49% Understanding the difference among different health insurance plan options

50% Understanding the difference among different health spending accounts

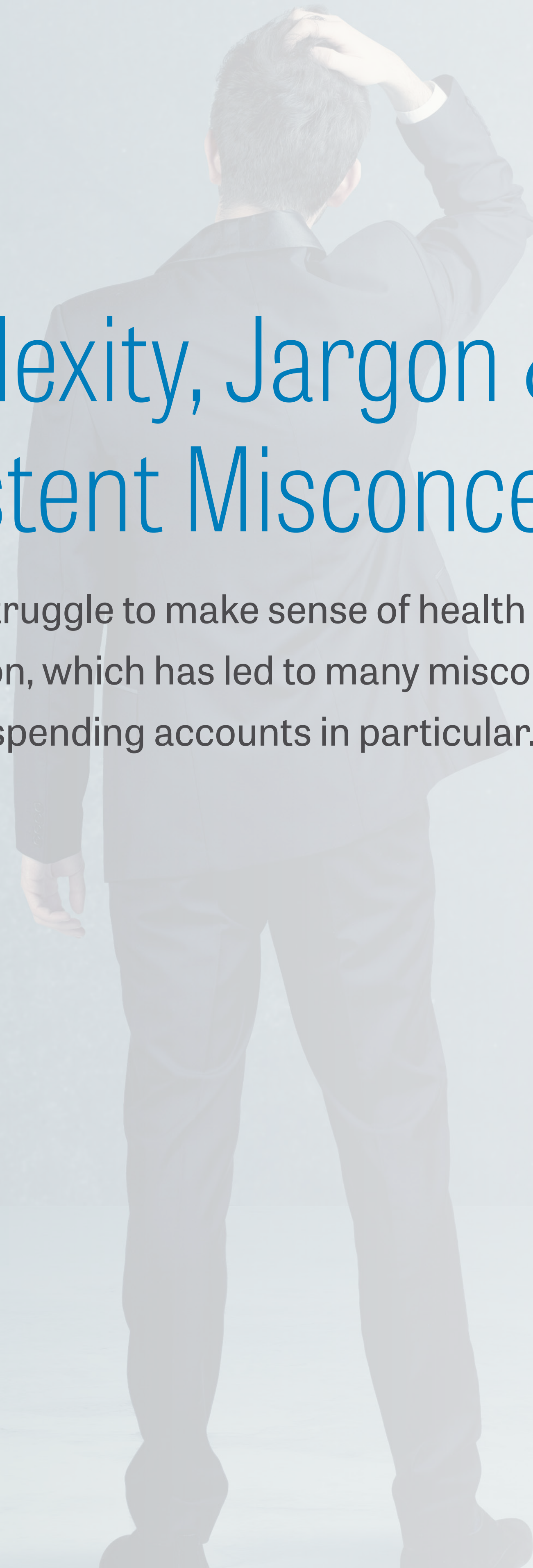
50% Making sense of the jargon

48% Determining the impact of their choice on out-of-pocket expenses

How to Change the Story

As an employer or benefits administrator, you have an enormous opportunity to combat consumer inertia by building health insurance literacy. There are also a number of ways to relieve some of the stress employees feel during open enrollment while also reminding them of the importance of these decisions. Here are a few ideas about how to ease the healthcare decision-making process for consumers:

- **Simplify communications.** Speak to employees as you would to a friend, and tailor communications and tools, making them more personalized so consumers see themselves in the products and not in stereotypes.
- **Identify employees' most common misconceptions—**we highlight many in the next chapter—and be purposeful about correcting them.
- **Look for ways to create in-person touchpoints with employees,** whether with an outreach call after they experience their first medical claim with a new plan or by hosting a brown-bag session where employees can have their questions about their CDHP answered.
- **Take into consideration how much consumers rely on self-discovered trusted advisers** (colleagues, friends and family members) when making decisions about health benefits, and seek ways to promote a community of peers as resources.
- **Provide consumers with a comprehensive online tool** that allows them to change parameters and test different contribution scenarios—and then give them an opportunity to talk their decision through with an expert.
- **Develop a campaign focused on "starting small."** Acknowledge that the first three years of having a CDHP can leave consumers feeling uneasy and crunched. Set them up for success with better account configuration, by establishing definitions of success and by providing more targeted account funding. Assurances that it's OK to grow in confidence with CDHPs over time can go a long way, especially if they come with an offer of ongoing practical guidance.



Chapter 3

Complexity, Jargon & Persistent Misconceptions

Consumers struggle to make sense of health insurance industry jargon, which has led to many misconceptions about health spending accounts in particular.

As the cost and complexity of healthcare has skyrocketed, many Americans have found themselves lost in a whirlwind of acronyms and misperceptions about what health coverage is best for them.

This is a shame, because for younger Americans—healthy, active and more likely than ever to pursue multiple career opportunities—a CDHP can offer tremendous flexibility and savings while also providing a valuable financial tool to jump-start their nest eggs.

Regardless of age or experience, many consumers don't realize that CDHPs can lead to monthly savings and that HSAs avoid the use-it-or-lose-it penalty that many associate with the accounts.

The problem is not that, after careful review, they have decided against CDHPs and HSAs—it is that they are simply not aware of them and do not understand their benefits.

Once people understand the value of CDHPs and that they can learn and grow as they go, their confidence and loyalty around the plans increase.

While it's not necessarily love at first sight for consumers and their CDHPs, they tend to develop long-term relationships with the accounts once they're up to speed about their benefits. Three-quarters of workers on CDHPs report being repeat enrollees in the plans, and we found that users of these plans are inquisitive and generally content, while non-users are skeptical and generally less trusting. Non-users of these plans also claim to not be "smart enough" or "organized enough" to enroll in CDHPs.

These are some of the most common and stubborn misconceptions consumers hold about healthcare benefits:

- Thirty percent of CDHP enrollees believe HSAs are "use-it-or-lose-it" accounts (they're not).
- Many consumers think of an HSA as a healthcare spending account only, not as a savings account for the future. (Other consumers—though aware of the potential to use an HSA as a retirement planning tool—spend down their account balances every year out of necessity, with aspirations to become investors at some point.)
- Many people say HSAs and FSAs are "not for someone like me." Two distinct counter-comparisons came through during interviews and focus groups: the indestructible ("Those accounts are for older, sicker people") group and the timid ("Those accounts are for smarter, richer or more organized people") group.
- Forty percent of employees think funds in FSAs can be invested (they can't).
- Another misconception is that FSA and HSA funds can be used only for doctor and hospital visits. (In fact, they can be used for everything from alternative medicine to prescription sunglasses, from drug and alcohol addiction treatment to dental care.)

Voice of the Consumer

"Sometimes the HR sessions just run long and the information is so technical it just goes over my head."

—HSA user

Voice of the Consumer

"[FSAs] are like a maze or Tetris. Maybe it'll work if the pieces fit, but right now it's unclear and looks like it takes work to be effective."

—FSA non-user

How to Change the Story

While users of CDHP accounts clearly see the benefits, others are limited by a few main barriers, including a lack of awareness, confusion about what is offered and a lack of relevance (among other issues). Opportunities exist in both product and messaging to overcome these barriers, though solutions need to address both the tactical and emotional benefits to truly make an impact. The good news is that simply choosing your words more carefully when communicating with consumers can go a long way toward helping CDHPs appear less complex and clearing up some of the biggest misconceptions about them.

In addition to tailoring communication based on a consumer's level of experience with a benefits plan (beginner, intermediate or expert), it's time to consider stripping some of our industry's unfortunate buzz phrases from our vernacular. Here are some suggestions for communicating in simple, consumer-friendly language that applies to their lives:

- **Instead of calling an HSA "portable,"** tell consumers, "When you change jobs, it goes with you." Remind employees that HSAs aren't employer-specific and that employer contributions immediately become their property once they're deposited into an HSA—and can be taken with them from job to job.

- **Instead of saying "HSAs provide triple-tax savings,"** tell consumers, "Use your HSA for qualified medical expenses, and you don't owe any tax on that money. At all. Ever." Contributions to HSAs are not subject to federal income taxes; earnings from interest and investments are tax-free; and distributions from an HSA to pay for qualified medical expenses are tax-free. Because of these three facts, we've tended to use phrases like "triple-tax savings," but for the majority of consumers that phrase doesn't resonate. Though tax savings is one of the key benefits promoted in most FSA/HSA literature, we found that it may not be the most effective benefit to communicate, since the majority of consumers can't translate what those savings mean to them personally.

[6] Kiplinger.com, "New Rules for Your Flexible Spending Account," Dec. 14, 2018

- **Instead of saying FSAs are "use-it-or-lose-it"** accounts, tell consumers, "Check with your employer to find out your grace period and what you can roll over from one year to the next." On one hand, the "use-it-or-lose-it" phrase has been somewhat helpful in that it helps people distinguish account types. On the other hand, it brings with it strong negative associations, many of which are no longer true. A study[6] by the Society of Human Resource Management found that 46 percent of companies that offer FSAs let employees roll over $500 from one year to the next, and 37 percent offer a grace period until March 15 to use the money. (Employers are allowed to offer a rollover or a grace period, but not both.) That leaves about 17 percent of employers without a rollover or grace period. If more consumers were aware of the high potential for leeway, they would be less apt to perceive FSAs as too risky to enroll in.

- **Instead of a "high-deductible health plan,"** call it "an HSA-eligible plan" or a "consumer-directed health plan." Consumers are less likely to understand the value of these plans if we only use the phrase "high-deductible health plan." That sounds scary! Why did we let the name the government chose stick?

- **Instead of saying, "Save your receipts for reimbursements,"** let consumers know that a debit card is by far the most popular method of accessing funds from healthcare accounts because it is easy to use (and you don't have to save receipts!). The card is what makes it easy for people to access their money, reinforcing positive feelings of safety and control.

HSAs: Guilty by Association?

Because HSAs are tied to the ominously named "high-deductible health plan," they have gotten a bad rap. It doesn't help that FSAs, which provide tax breaks and are typically available within any plan, and HSAs, which provide tax breaks and are only offered in combination with HDHPs, are often mixed up.

For example, this is what two focus group participants said about HSAs:

"[HSAs are] like the handle of a sharp knife, where the knife is health insurance. The handle makes you feel a little safer, but you have to be careful because it can still cut you." **—HSA user**

"[HSAs are] like the flu shot—you don't really know what it's doing, but you get it and just hope that it actually works." **—HSA user**

Chapter 4

Short-Term Horizons

Many people see only the short-term horizon when thinking about health expenses.

Many people see only the short-term horizon when thinking about health expenses.

Short-term concerns, such as student loans, college tuition for children and home loans, take a higher priority, often at the expense of preparing for the future. While most people make an effort to set aside savings and investments for the period of their lives when they will no longer work, they don't realize there is a more cost-effective way to save for healthcare expenses in retirement, nor do they calculate the cost of the longer average life span we now enjoy.

Regardless of income levels, at least half of all Americans are at risk of experiencing a financial shortfall upon retiring.

This raises the very real possibility of being out of money to live on right when they need it most and are least able to reenter the job market to make up the difference between planning and reality. The numbers are sobering: The average 65-year-old couple retiring this year will need $285,000[7] to cover healthcare and medical costs in retirement; for single retirees, the estimate is $150,000 for women and $135,000 for men. Contrast that with the fact that, according to the Census Bureau, the typical household earns less than $67,200 a year and has no retirement savings. It is a recipe for disaster that many households don't anticipate.

Even though the percentage of Americans with HDHPs can top nearly 50 percent, only half of survey respondents knew that their health benefit package could be leveraged as a retirement tool.

While only 17 percent were very familiar with that possibility. The rest were vaguely aware it was possible,

A planned expense (e.g., braces, surgery) or key life event (e.g., having kids) often serves as the launching point for enrolling in an HSA or FSA account.

Consumers recognize that—if they have a known, larger expense—either of these accounts is a great option. However, they often struggle to recognize the day-to-day benefits of these accounts, especially as a reason for enrolling.

Many people overlook some of the most effective tools for handling key life events, simply because they don't understand the simple facts and principles about how these tools work.

With only a cursory look, CDHPs, supported by HSAs and FSAs, seem like confusing, costly bites out of consumers' already-tight monthly budgets.

In our focus groups, we found that many people who participate in an HSA cap their contributions lower than they should.

Gauging their contributions based on the deductibles of the plan they have at the moment, or on the current level of employer contributions.

[7] Fidelity, "How to plan for rising health care costs," April 19, 2018

Voice of the Consumer

"A lot of things are unexpected. We're having a baby, so we know we are going to hit the deductible with all the hospital costs. But next year when we are not having a baby, if nobody hurts their knee or gets anything unexpected, then where are they going to be in terms of dollars spent and all that kind of stuff?"

—HSA user

Voice of the Consumer

"When I first got the account, my motivation was covering the deductible plus a little extra. Now my motivation is growing the funds."

—HSA user

Voice of the Consumer

"Will I outlive my money? I heard on the radio [that] people aren't going to live till 90, they are going to live to 110 and 115."

—HSA user

How to Change the Story

There is ample opportunity for employers and benefits administrators to better manage short-term priorities while helping employees prepare for healthcare in retirement. As it stands now, it's all too easy for Americans to avoid preparing for key life moments that seem far off. Most people today are only vaguely aware of the actual costs of retirement—and even when they are aware, they're basing their plans on today's costs, not tomorrow's.

By striving to help people become better informed about their approaching realities, we can have a more substantive conversation about how CDHPs and HSAs can bring them closer to aligning the future they plan for with the future they will experience. Here are some suggestions for how to do this:

- **Meet employees where they are,** addressing them at specific life moments with the personalized experiences and communications they need, when they need them. Consider how you can deliver individual employee guided tours, and when certain tips and resources will be best received. Frame your discussion in their real-world needs, both their current cost of living and what it will cost to maintain their lifestyle at a future cost of living.

- **Promote the gamification of benefits.** Dashboard views such as an end-of-year summary of savings or of the potential for additional savings can give consumers a consolidated snapshot of their experience and how their plan is working. If you can give them the data in an easy-to-use, accessible way, they're more inclined to make better decisions as they move forward with their plans.

- **To highlight the HSA's value as a retirement savings tool and investment,** compare and contrast the benefits of an HSA with those of a 401(k). The fact that funds withdrawn from an HSA to pay for medical expenses in retirement are not taxed is a significant advantage. Regardless of employees' current perceptions, it is easy for them to imagine substantial post-retirement healthcare costs, which makes the HSA/401(k) comparison a great opportunity to help employees see how easy it is to proactively add this tool to a retirement strategy.

- **Consumers want more education about their HSAs, and more visibility and access to them.** For many, the online portal to access benefit accounts is separate from all other employee and financial information. If resources are scattered around multiple websites with multiple sign-ins, think of ways to optimize and integrate the user experience for both mobile and desktop to keep health savings account balances—and goals—top of mind. Even something as simple as putting all links in one place can go a long way toward keeping employees engaged. For example, "To check account balance, go here; to change your benefit elections, go here; to get help estimating costs for an upcoming procedure, go here."

- **Communication about how to get the most from an HSA isn't just for open enrollment.** Engage consumers throughout the year.

FIREd-Up Consumers Take the Long View

Discussions about the FIRE movement (Financial Independence/Retire Early) have grown significantly in the past four years, especially among millennials and in online communities. People who adopt the FIRE lifestyle strive to save at significantly higher-than-average rates toward the goal of retiring decades ahead of their contemporaries. In these discussions, which tend to have a positive and hopeful tone, HSAs are viewed as a solution. For people hoping to retire early, freedom is a more compelling motivator than tax savings.

CONCLUSION

With increased financial strain impacting American workers, as well as their employers, it is essential that we turn up the dial to help people save and pay for healthcare today and in the future. Those of us in the business of designing, administering and advocating for employee benefits can multiply our impact by paying more than lip service to the need for simplification. Delivering relatable messages that focus more on people's hearts than on their heads and breaking the jargon-filled, "one-and-done" open enrollment packets down into small bites addressing specific needs at life moments needs to be our "new normal."

For our part, WEX has established Oct. 15 as National HSA Awareness Day, and we are helping our Partners educate and engage locally by hosting an inaugural HSA Day livestream supported by toolkits containing simple, direct, clickable messages based on learnings from our consumer studies. We will help our Partners prepare for and leverage this investment through a series of WEX SPARK virtual and in-person events. We welcome any and all participants and look forward to driving large-scale results with the goal of helping more Americans achieve and maintain financial wellness.

APPENDIX

ABOUT WEX

Powered by the belief that complex payment systems can be made simple, WEX (NYSE: WEX) is a leading financial technology service provider across a wide spectrum of sectors, including fleet, travel and healthcare. WEX operates in more than 10 countries and in more than 20 currencies through more than 4,800 associates around the world. WEX fleet cards offer 11.5 million vehicles exceptional payment security and control; purchase volume in its travel and corporate solutions grew to $34.7 billion in 2018; and the WEX Health financial technology platform helps 343,000 employers and more than 28 million consumers better manage healthcare expenses. For more information, visit www.wexinc.com.

RESEARCH UNDERTAKEN

- Online consumer survey: "Health Insurance Options in the Workplace," researcher Zogby Analytics, conducted by WEX Health, December 2018
- Consumer phone interviews: "Zogby Follow-Up Interview Takeaways," interviews conducted and transcribed by Havas PR, February 2019
- Consumer focus groups: "Visa FSA/HSA Emotional Connectors Qualitative Research," researcher LRW MotiveQuest, conducted by Visa with partnership from WEX Health, February–March 2019
- Consumer focus groups: "Health Plan and HSA Decision-Making," researcher Greenwald & Associates, conducted by WEX Health, November 2018
- Online anthropology: "HSA & FSA Analysis," researcher LRWMotiveQuest, Jan. 1, 2015, through Nov. 30, 2018

METHODOLOGY

Zogby Survey Methodology

Zogby Analytics was commissioned by WEX Health to conduct an online survey of 2,007 adults in the U.S. who are working full time and part time and have an employer health insurance plan. Additionally, an oversample of high-deductible health plan participants was collected for a final sample of 501 completed interviews in that category. Using internal and trusted interactive partner resources, thousands of adults were randomly invited to participate in the survey. Each invitation was password coded and secure so that each respondent could access the survey only one time. Using information based on Census data, voter registration figures, CIA fact books and exit polls, Zogby uses complex weighting techniques to best represent the demographics of the population being surveyed. Weighted variables may include age, race, gender, region, party, education and religion. Based on a confidence interval of 95 percent, the margin of error for 2,007 participants is ±2.2 percentage points. The margin of error for the oversample of 501 participants is ±4.4 percentage points.

Havas PR Consumer Phone Interview Methodology

In February 2019, Havas PR North America was commissioned by WEX Health to conduct follow-up phone interviews with Zogby survey respondents. The agency interviewed 14 individuals, nine male and five female. During these interviews, Havas PR covered topics including consumers' thoughts about the healthcare benefits available to them, what impacted their decision on whether or not to enroll in a high-deductible health plan, and whether or not they felt they had anyone they could trust for advice about their benefits.

LRW Analytics Survey Methodology

Visa and WEX Health commissioned LRW Analytics to conduct research in two phases. LRWMotiveQuest, LRW's online anthropology department, conducted the first phase, analyzing naturally occurring, publicly available conversations from forums, boards and social platforms. They gathered four years' worth of messages about health insurance—over 6.3 million messages—from 1.4 million individuals on online forums and discussion boards. From there, LRWMotiveQuest isolated and analyzed conversations about FSAs and HSAs to develop a baseline understanding of consumers' perceptions of these benefits. The second phase, which consisted of eight consumer focus groups among HSA and FSA users and non-users, was conducted to understand emotions surrounding healthcare spending to help develop actionable, targetable messages to drive adoption and maximize usage.

Greenwald & Associates Methodology

Greenwald & Associates was commissioned by WEX Health to undertake a focus-group study that leveraged two groups in Minneapolis and two groups in Dallas. There were 42 total participants, with 10 to 14 per group. The sessions were each two hours long. Participants all had employer-based health plans and a deductible over $1,000. We recruited a mix of household income and gender and a mix of account types (FSA, HSA, HRA). Topics covered in the focus groups included basic consumer characteristics, plan choice decision-making process, support tools during plan choice, account choice decision-making process, support tools during account choice, and technology needs and inspirations.

ADDITIONAL REFERENCES

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- Centers for Disease Control and Prevention, "High-deductible Health Plan Enrollment Among Adults Aged 18–64 with Employment-based Insurance Coverage," August 2018 [Link]
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- Henry J. Kaiser Family Foundation, 2018 Employer Health Benefits Survey [Link]
- PricewaterhouseCoopers, Employee Financial Wellness Survey, 2018 [Link]
- Kiplinger.com, "New Rules for Your Flexible Spending Account," Dec. 14, 2018 [Link]
- Fidelity, "How to plan for rising health care costs," April 19, 2018 [Link]

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